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# Economic Intelligence Weekly

**Secret**

CIA No. 8132/74  
3 July 1974

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Note: Comments and queries regarding this publication are welcomed.

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## ECONOMIC INTELLIGENCE WEEKLY

## Articles

## OIL PAYMENTS STRENGTHEN POUND

Heavy demand for sterling to meet payments to oil producers has bolstered the pound in the face of Britain's record current account deficit and dour economic outlook. Since the beginning of the year, the pound has strengthened relative to the dollar and most other currencies.

So far in 1974, sterling payments to oil producers and to oil-producer escrow accounts total about \$7 billion. Most payments to the United Arab Emirates, Kuwait, and the smaller Persian Gulf states are made in sterling. These payments total about \$400 million monthly. About one-fourth of Saudi Arabia receipts -- or \$500 million monthly -- are also in sterling. In addition, oil companies are believed to have made substantial sterling payments into escrow accounts for participation oil. (The government share of oil production has been under negotiation with Saudi Arabia, Kuwait, and Abu Dhabi in recent months.)

Oil producers have converted only a small share of these sterling payments into other currencies. Their continued willingness to hold sterling despite Britain's poor economic performance is explained by several factors:

- The recently renegotiated British guarantee against exchange loss for sterling area countries.
- Extremely high interest rates in London and for sterling deposits in the Eurocurrency market.
- The lingering influence of British bankers in the Middle East.
- London's traditional importance as an international financial center.

Sterling payments into escrow accounts similarly have not been converted, as the oil companies are unwilling to speculate with escrow funds. Sterling holdings of selected Arab oil producers (in million US dollars) are as follows.

	31 Dec 73	30 Jun 74
Kuwait	1,500	2,300
United Arab Emirates	400	1,300
Saudi Arabia	200	1,000
Libya	Negl.	Some

The share of oil payments made in sterling and the proportion of oil producers' assets held in sterling probably will decline over the next year or two. Despite

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British guarantees and high sterling interest rates, oil producers will refuse eventually to risk accumulating additional sterling assets. When this happens, the pound will fall to a level more in keeping with the real prospects facing the British economy.

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### INDIA: FERTILIZER PRODUCTION ON UPGRADE

Indian fertilizer production – accounting for about half of domestic consumption – is expected to rise substantially in the fiscal year ending March 1975.

Three large new plants currently undergoing shakedown operations will add 25% to fertilizer production capacity. Existing plants, which have operated at only about 70% of capacity in recent years, will no doubt respond quickly to a 90% rise in the government's controlled price.

Demand for fertilizer has grown sharply in the last two years because of food shortages and the spread of high-yielding seeds. Despite increased production since 1970 (see below), demand has far outstripped supply, causing imports to nearly double during the period. One ton of fertilizer can increase grain yields by roughly 9 tons under reasonably favorable conditions. Even with the 90% price hike, efficient agricultural producers will buy all the output the domestic industry can furnish. Nonetheless, while fertilizer is an important input in raising Indian grain production, rainfall remains the critical determinant.

#### India Fertilizer Supplies

Thousand Tons of Nutrients			
April-March	Production	Imports	Total
1970/71	1,066	633	1,699
1971/72	1,239	970	2,209
1972/73	1,386	1,219	2,605
1973/74	1,394	1,242	2,636

Chronic power shortages and poor maintenance will continue to constrain production. Higher prices, however, will give fertilizer producers greater clout in competing with other users for limited electric power and should provide some incentive to improve maintenance. Feedstock shortages are a lesser problem. There is no shortage of naphtha, the raw material for about 70% of nitrogenous fertilizer.

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**CHINA: MID-YEAR ECONOMIC ASSESSMENT\*****Overview**

At mid-1974, the Chinese economy is marked by below-average prospects in agriculture, moderate expansion in industrial capacity and output, booming foreign trade, and palpable improvements in the austere standard of living. The anti-Confucius campaign and the retrenchment in the workplace of Premier Chou En-lai thus far have caused no appreciable slowdown in the pace of economic activity.

**Agriculture**

The erratic spring monsoon and unusually low temperatures have damaged early crops and disturbed acreage patterns for the important fall-harvested crops. Grain production for 1974 probably will fall short of the 2% growth trend, even if weather is highly favorable for the remainder of the year. In any case, imports of grain will reach a new peak. Contracts for delivery in 1974 now total 9.4 million tons – nearly half from the United States – compared with 7.5 million tons in 1973.

**Industry**

Growth in industrial production is running at 8% to 9%, with oil and chemical fertilizer among the front runners. Production of military hardware in the past 18 months has been 25% below the peak levels of 1970-71, possibly the combined result of the intensified agriculture-support program, the changeover to later model weapons, and the reassertion of Party control over the military.

**Foreign Trade**

Soaring world prices and major currency revaluations, as well as substantial increases in physical volume, are accounting for sizable gains in both exports and imports. ■

	<u>Billion US \$</u>	
	Exports	Imports
1972	3.06	2.77
1973	4.64	4.74
1974 (prospective)	6+	6½+

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\* This article presents, in modified form, the key findings of a forthcoming OER publication, ER IM 74-9, *The Chinese Economy at Mid-1974*, July 1974, [redacted]

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**HIGHER AIRFARES DEPRESS EUROPEAN TOURIST INDUSTRY**

A succession of increases in trans-Atlantic airfares is adding to the problems of an already troubled European tourist industry.

Major international airlines have gained a 5% fare increase, effective 1 August, that will push rates an average 25% above 1973 yearend levels. Hardest hit will be popular tourist excursion packages and off-season fares. The airlines, struggling to meet higher fuel bids, are expected to push for an additional 5% to 8% increase in November.

Net tourist revenues have been declining in most European tourist nations in recent years, as outflows have risen more than inflows. This year, inflows are expected to actually decline as tourists react to economic slowdowns at home and inflated travel costs abroad. The US Passport Office issued 15% fewer passports in the first half of 1974 than in the first half of 1973. With advance bookings for summer travel off 20% so far from last year, the European tourist industry faced a bleak season even without higher air fares.

Italy, France, and Greece are among the countries most dependent on tourist receipts:

- Italy has seen its net earnings decline from more than \$1 billion in 1972 to about \$750 million in 1973. In the first quarter of this year, it actually suffered a deficit on the tourist account.
- Because of increased travel by its own citizens, France experienced a decline in net earnings from \$360 million in 1972 to about \$230 million in 1973.
- Greek tourist earnings, which normally account for 47% of foreign exchange earnings, continued to increase through 1973. However, receipts are expected to drop this year.

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**USSR: RUST THREATENS WINTER WHEAT CROP**

Prospects for Soviet winter grains have been worsened by leaf rust in the Ukraine. As of late May, according to an official report, rust had been detected in at least seven Ukrainian oblasts that normally produce about 15% of the winter wheat crop.

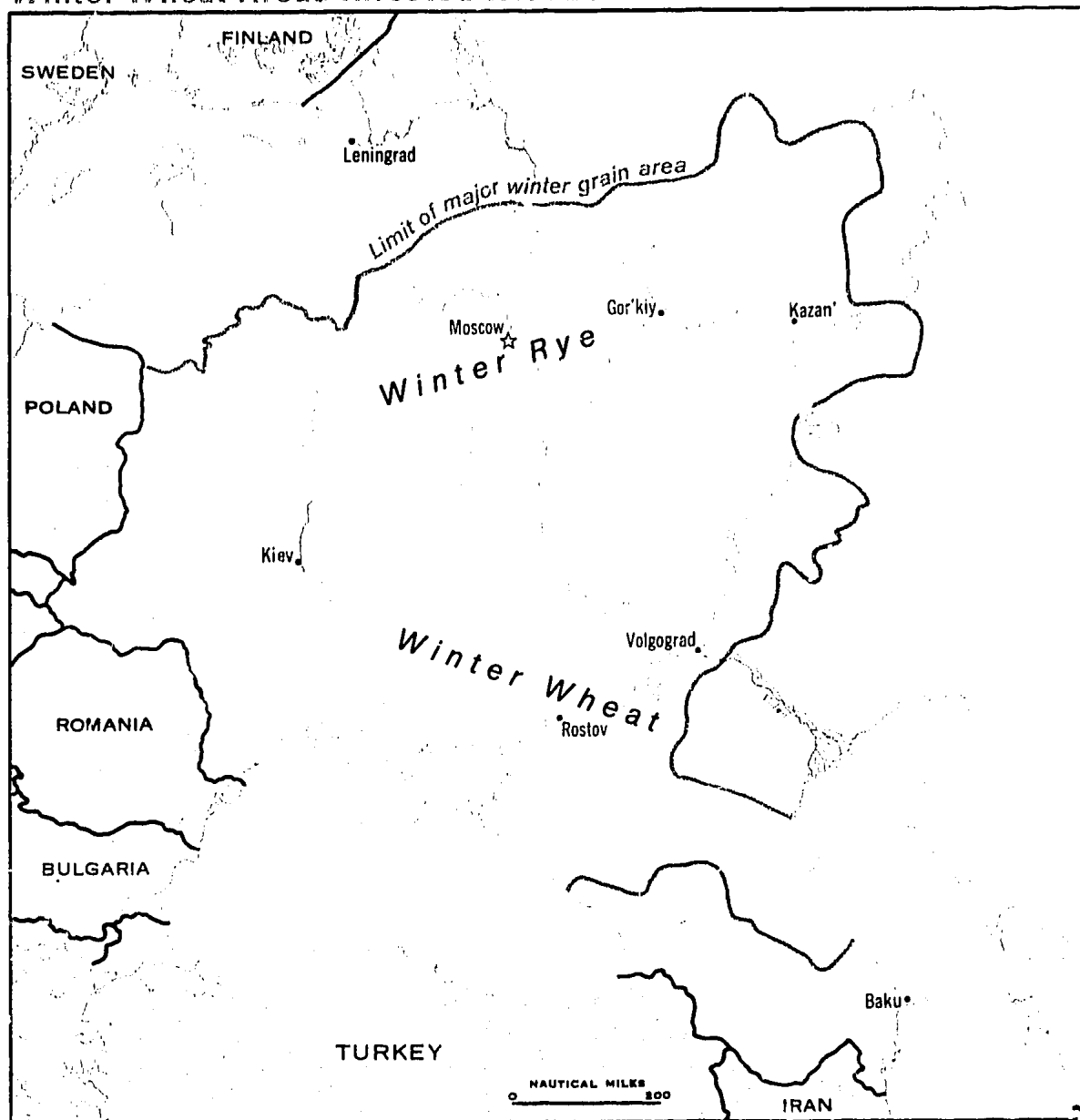
Rust is usually a minor problem in the Soviet Union. The newly discovered leaf rust spores probably are the virulent biotypes that first spread rapidly in 1973

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# Winter Wheat Areas Infested With Leaf Rust Disease



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in the North Caucasus, causing substantial damage to wheat varieties previously considered rust resistant. Where plants are infected severely at an early stage of growth, yields may be cut by 50% or more.

Because leaf rust has been found in the Ukraine, the disease is also likely to be present in the neighboring North Caucasus winter wheat fields. This year, frequent rains in May and June, coupled with higher rates of nitrogen fertilizer application, have favored the spread of leaf rust. As a result, the winter wheat crop could be reduced by as much as 20%. If disease spores reach the spring wheat regions of the Volga Basin and western Siberia, considerable additional damage would occur.

The problems with leaf rust probably did not figure in an unofficial estimate given in mid-June to a US agricultural team in Moscow by Ministry of Agriculture specialists. This estimate of 60 million tons of winter grains, although 3 million tons less than the 1973 crop, implies an average yield almost as high as last year's record. If the winter grain harvest turns out to be 60 million tons or less, the USSR will have great difficulty in meeting its overall grain target of 205 million tons for 1974. Winter grains normally account for almost one-third of the total grain crop, and any shortfall in winter grains is unlikely to be made up by the harvest of spring grains. Whereas the USSR had an unprecedented crop of 159 million tons of spring grain in 1973, this year a smaller area has been seeded and weather conditions have been less favorable.

On the basis of weather reports through May, we had estimated a total grain crop of 190 million tons, including 57 million tons of winter grains. This forecast did not allow for above-normal losses to disease. We are in the process of revising our estimate on the basis of weather reports for June and an assessment of the rust problems.

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### JAPAN: MORE INVESTMENT IN THE UNITED STATES

Japanese firms continue to set up US production facilities despite Tokyo's interest in easing its oil payments problem by discouraging foreign investment.

The Japanese are attracted by US raw materials, technology, and the large consumer market. Direct investment in the United States increased by about \$400 million in 1973 to a total of \$1.2 billion. Roughly \$300 million in Japanese investment already has been announced this year.

New ventures are concentrated in the textile and electronics industries, where the Japanese competitive position has been seriously weakened. The four textile proposals announced this year will raise to 12 the number of operations initiated since early 1973. Matsushita recently paid about \$100 million for Motorola TV

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## JAPANESE INVESTMENTS IN THE UNITED STATES ANNOUNCED SO FAR IN 1974

Industry	Parent Company	US Venture	Location	Japanese Equity Share (Percent)	Comments
Manufacturing Textiles	Nippon Cloth Industry	Nic USA	New York, New York	100	Production of book cloth, synthetic leather, and other products to begin after July 1974.
	Mitsubishi Corp. & Soko Seiren	Somtex Prints of California	City of Industry, California	N.A.	Joint venture with Texfi Industries of Greensboro, North Carolina. Fabric-printing plant will begin operations in late 1974.
	Daiwa Spinning Co.	N.A.	Levelland, Texas	100	A \$15 million cotton spinning plant with initial monthly output of 350 tons.
	Honey Bedding Corp.	N.A.	N.A.	N.A.	Joint venture with National Novelty Brushing, a division of Maugus, Inc., of Lancaster, Pennsylvania. Will process non-woven cotton-based fabric.
Electronics	Canon, Inc.	Canon Business Machines, Inc.	Costa Mesa City, California	100	Assembly of desk top calculators at new facility near Los Angeles. Initial output of 10,000 units monthly. Most components to be imported from Japan.
	Matsushita Electric Industrial	Quasar Electronics	Quincy, Franklin Park, & Pontiac, Illinois	100	Production of television sets at plants in Illinois. Facilities purchased from Motorola for some \$100 million. Output to be sold under Motorola's Quasar brand name.
	Nippon Chemical Condenser Co.	United Chemicon Research & Development Laboratory	Springfield, Massachusetts	100	Aims at developing new electrolytic condensers for industrial uses. Eventually will produce new products incorporating the new technology.
	Eiko Business Machine Co.	Frontier, Inc.	California	100	Production of liquid-crystal electronic watches, possibly by late 1974. Presently produces LSIs for desk top calculators.
	Suncrux	N.A.	San Jose, California	N.A.	Production of liquid-crystal electronic watches at new facilities costing \$5 million. Interim production at leased plant set to begin in mid-1975.
	Toyoko Menka Kaisha	N.A.	Chicago, Illinois	100	Conversion of audio equipment servicing center into stereo assembly plant. Output to be 15,000 sets yearly. Components to be imported from Japan.
	Brother Industries	Centronics Data Computer Corp.	N.A.	4	Acquisition of 4% in US maker of peripheral computer equipment for \$3 million.
Computers					
Steel	Kawasaki Steel & Yamamoto Sangyo Co. (Kawasaki affiliate)	N.A.	New Orleans, Louisiana	50	Joint venture with Southern Scrap Materials Co. will be capitalized at about \$10 million.

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JAPANESE INVESTMENTS IN THE UNITED STATES ANNOUNCED SO FAR IN 1974  
(Continued)

Industry	Parent Company	US Venture	Location	Japanese Equity Share (Percent)	Comments
Manufacturing Steel (Continued)	Tosco Steel Works & Mitsui & Co.	Tamco	California	50	Joint venture with Ameron of Monterey Park, California to produce steel billets; \$17 million steel mill to begin production of 350,000 tons of billets annually by mid-1976. Capitalized at \$8 million.
Chemicals	Sekisui Chemical Co.	Sekisui Products, Inc.	Linden, New Jersey	100	New plant to produce high-expansion polyethylene under the Softlon brand name.
Machine tool	Yamaguchi Machinery Corp. & Okada Co.	N.A.	Florence, Kentucky	100	New plant will install American-made electric and numerical controls on Japanese-built machinery.
Other	Nippon Gakki	Yamaha International Corp.	Los Angeles, California	100	Purchased Everett Piano Co. of South Haven, Michigan. Will continue production and sales of Everett-brand pianos.
		Yamaha Musical Products, Inc. (Yamaha international subsidiary)	South Haven & Kentwood, Michigan	100	New Plant at Kentwood to assemble electric organs and wind instruments. Will also run South Haven operation.
Raw materials Wood products	Toyo Pulp Co.	N.A.	Sandpoint, Idaho	50	Joint venture with Pack River Co. of Seattle, Washington. New \$50 million plant will produce 300 tons of pulp daily, all of which will go to Japan. Construction to begin by early 1976.
Minerals	Nishio-Iwai Co.	N.A.	Keen Mountain, Virginia	N.A.	\$25 million equity investment in a deep-shaft coal mine in return for half the mine's potential output of 1.5 million tons of coking coal yearly.
Real estate	Mitsui & Co.	CCF Palomar Airport Business Park	Carlsbad, California	50	Joint venture with Cabot, Cabot & Forbes Co. of Boston, capitalized at \$1 million, to develop a 320-acre industrial park near San Diego. \$16 million project set for completion in 1981.
Banking	Dai-Ichi Kangyo Bank and 31 other firms	Japan California Bank	Los Angeles, California	100	New commercial bank capitalized at \$5 million to help meet needs of Japanese firms operating in California. Participants include leading trading companies, electronics makers, and food products firms.

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plants; the purchase gives Japanese firms one-fourth of the US color TV market. In addition, the Japanese are increasing their stakes in the steel, chemical, machinery, and computer industries.

Large sums are also going into the exploitation of US raw material resources. These investments usually involve joint ventures with US firms and the export of much of the output to Japan. Recent pulp and coal deals, for example, call for all the pulp and at least half the coal to be shipped to Japan.

Because of mounting electricity costs at home, the Japanese are particularly interested in joint aluminum ventures with US firms. The Japanese obtained a 50% share of AMAX Aluminum for \$125 million last year; the firm hopes to construct a \$130 million-\$160 million aluminum smelter in Oregon. Early this year, six Japanese firms agreed to finance construction of a US-owned aluminum smelter in Scottsboro, Alabama. Although no equity investment is involved, Japan is to obtain most of the plant's output under a long-term contract.

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#### OECD SEES ECONOMIC IMPROVEMENT IN 1975

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[redacted] the OECD expects a marked improvement in growth and inflation performance in six major industrial countries during the first half of 1975. Its forecasts apparently assume that these countries will soon adopt expansionary policies.

We believe that the report is overly optimistic, at least with respect to economic growth prospects. Most major capitals continue to stress the need for restrictive fiscal and monetary policies to stem inflation and shore up their external position. Even if expansionary policies are adopted later this year, the impact probably would not be fully apparent for several months.

The OECD report forecasts an average rise in real GNP at an annual rate of 3.7%, compared with 0.5% for all of 1974. Inflation is expected to fall to a 10% annual pace, from 13% this year.

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OECD Economic Projections for Developed Countries

	1974			First Half 1975
	Total	First Half	Second Half	
Percent Change from Previous Period at Annual Rate				
Real GNP growth				
United States	-0.5			3.0
Japan	-1.5			7.2
West Germany	2.0			4.2
France	4.7			4.2
United Kingdom	-2.0			1.2
Italy	3.2			....
Consumer price inflation				
United States	10.0	11.7	9.2	7.7
Japan	24.7	29.0	22.0	15.7
West Germany	9.0	8.0	11.5	9.5
France	13.5	15.0	14.0	10.0
United Kingdom	14.5	14.7	19.2	18.0
Italy	18.0	21.0	19.0	11.7

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## Notes

**Iran/France: Massive Economic Cooperation Agreement**

Last week's Iranian-French economic agreement marks the high point in the Shah's search for Western help for his ambitious industrialization drive. The pact identifies \$4 billion to \$5 billion in possible French industrial projects in Iran, including nuclear powerplants, petrochemical complexes, natural gas facilities, tankers, a steel plant, and a subway. Tehran will provide oil and a \$1 billion advance deposit over a three-year period – some relief for France's balance-of-payments woes. The deal also gives France a psychological lift at the beginning of its recently announced austerity program. [REDACTED]

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**Progress Toward Untying Western Aid**

The United States and seven other Western nations at a recent meeting in Paris agreed to a partial untying of development credits that would allow recipients to purchase aid goods in Third World nations. By increasing LDC procurement options, the cost of aid to these nations may be reduced. US practice already complies with the conditions of the new agreement. The United States permits Third World aid recipients to use development credits to purchase goods in other LDCs that have a per capita income of less than \$1,000 and whose prices are lower than in the United States. Although the United States accounts for less than 40% of total Western aid, it now contributes 80% of partially untied aid provided through Western bilateral channels. [REDACTED]

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**Publication of Interest**

**China: Implications of Urea Plant Purchases**  
(ER IR 74-17, July 1974) [REDACTED]

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This report examines the economic implications of the recent PRC purchase of 13 of the world's largest ammonia-urea complexes. These plants will play a central role in the accelerated agricultural program now under way, and by 1980 China may be producing from 320 million to 335 million tons of grain. This would eliminate the need for nitrogen fertilizer imports and greatly diminish the need for grain imports.

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## INTERNAL ECONOMIC INDICATORS

## GNP\*

Constant Market Prices

	Percent Change		Average Annual Growth Rate Since		
	Latest Quarter	From Previous Quarter	1970	1 Year Earlier	3 Months Earlier
United States	74 I	-1.0	3.9	0.2	-6.3
Japan	74 I	-5.0	6.2	-2.4	-18.6
West Germany	74 I	1.5	3.3	-0.7	6.1
France	73 IV	1.8	5.8	5.7	7.3
United Kingdom	74 I	-3.5	1.9	-4.4	-13.3
Italy	73 IV	1.9	3.7	5.3	7.7
Canada	74 I	1.7	5.4	3.0	7.0

## WHOLESALE PRICES

Industrial

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	From Previous Month	1970	1 Year Earlier	3 Months Earlier
United States	May 74	2.7	8.4	20.1	40.6
Japan	May 74	0.7	11.1	35.3	8.4
West Germany	May 74	1.2	7.1	14.4	18.5
France	May 74	-0.5	13.2	37.0	37.7
United Kingdom	May 74	2.1	10.9	24.5	35.8
Italy	Mar 74	5.0	14.4	44.0	98.9
Canada	Mar 74	2.8	10.4	20.7	39.1

## INDUSTRIAL PRODUCTION\*

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	From Previous Month	1970	1 Year Earlier	3 Months Earlier**
United States	May 74	0.4	4.6	0.4	-0.1
Japan	May 74	1.8	7.3	2.3	-8.0
West Germany	Apr 74	0	3.2	1.1	-2.9
France	Apr 74	-0.8	5.6	5.1	0
United Kingdom	Apr 74	1.7	2.6	0.5	6.6
Italy	Apr 74	2.7	4.5	13.7	-16.5
Canada	Apr 74	-1.1	6.2	3.6	6.1

## CONSUMER PRICES

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	From Previous Month	1970	1 Year Earlier	3 Months Earlier**
United States	May 74	1.0	6.0	10.7	12.1
Japan	May 74	0.3	11.3	23.1	15.7
West Germany	May 74	0.6	6.3	7.2	6.2
France	May 74	1.2	7.9	13.5	17.1
United Kingdom	May 74	1.4	10.5	16.0	25.3
Italy	May 74	1.4	9.4	16.2	23.2
Canada	May 74	1.7	6.3	10.9	14.3

## RETAIL SALES\*

Current Prices

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	From Previous Month	1970	1 Year Earlier	3 Months Earlier**
United States	May 74	1.0	9.5	6.4	12.9
Japan	Feb 74	-2.2	13.2	17.6	8.8
West Germany	Feb 74	0.9	8.7	0.9	11.4
France	Mar 74	0.8	7.1	9.8	13.8
United Kingdom	Mar 74	1.3	12.0	9.4	6.5
Italy	Nov 73	-3.3	18.4	34.1	100.2
Canada	Apr 74	0.3	11.3	10.1	19.3

## MONEY SUPPLY\*

	Percent Change		Average Annual Growth Rate Since		
	Latest Month	From Previous Month	1970	1 Year Earlier	3 Months Earlier**
United States	May 74	1.6	6.9	7.0	10.0
Japan	Mar 74	2.6	18.0	15.4	15.7
West Germany	Apr 74	0.3	9.1	0.4	9.5
France	Feb 74	-0.3	11.9	9.0	14.9
United Kingdom	May 74	-0.2	9.1	2.5	4.7
Italy	Dec 73	2.6	21.2	17.9	22.1
Canada	Apr 74	4.2	13.8	14.4	18.5

## MONEY-MARKET RATES

		Percent Rate of Interest				
Representative Rates		Latest Date	1 Year Earlier	3 Months Earlier	1 Month Earlier	
United States	Prime finance paper	Jun 28	9.00	7.63	7.75	9.75
Japan	Call money	Jun 21	12.63	6.63	12.50	12.00
West Germany	Interbank loans(3Months)	Jun 26	9.17	13.50	8.63	8.63
France	Call money	Jun 26	14.00	8.50	11.88	12.88
United Kingdom	Local authority deposits	Jun 26	13.05	6.32	15.63	13.25
Canada	Finance paper	Jun 28	11.00	7.00	8.63	11.15
Euro-Dollars	Three-month deposits	Jun 26	12.73	9.06	9.50	11.88

\*Seasonally adjusted.  
 \*\*Average for latest 3 months compared with average for previous 3 months.

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## EXTERNAL ECONOMIC INDICATORS

EXPORTS\*  
f.o.b.

	Latest Month	Cumulative			
		Million US \$	Million US \$		Percent Change
			1974	1973	
United States	May 74	7,030	38,251	26,384	45.0
Japan	May 74	4,677	19,979	13,814	44.9
West Germany	Apr 74	7,734	27,967	19,070	46.7
France	May 74	3,832	18,151	13,800	31.5
United Kingdom	May 74	3,082	13,831	11,104	24.6
Italy	Apr 74	2,502	8,827	5,763	53.0
Canada	May 74	2,773	12,783	10,077	26.9

EXPORT PRICES  
US \$

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since	
		1970	1 Year Earlier	3 Months Earlier	
		Month			
United States	May 74	-0.2	11.2	26.1	13.2
Japan	Jan 74	0.1	13.4	31.4	8.0
West Germany	Mar 74	7.7	13.9	21.9	37.5
France	Jan 74	-5.9	11.1	18.9	-35.2
United Kingdom	Dec 73	0.1	8.7	17.4	12.0
Italy	Nov 73	-2.4	10.5	21.3	12.4
Canada	Feb 74	4.1	12.4	34.3	65.6

IMPORTS\*  
f.o.b.

		Cumulative			
		Latest Month	Million US \$		Percent Change
			1974	19.3	
United States	May 74	8,407	38,249	27,293	40.1
Japan	May 74	4,903	21,546	11,398	89.0
West Germany	Apr 74	5,423	19,847	14,994	31.0
France	May 74	4,467	19,845	13,281	49.4
United Kingdom	May 74	4,242	18,812	12,833	48.9
Italy	Apr 74	3,368	11,580	6,406	80.8
Canada	May 74	2,608	12,169	9,220	32.0

EXPORT PRICES  
National Currency

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since	
		1970	1 Year Earlier	3 Months Earlier	
		Month			
United States	May 74	-0.2	11.2	26.1	13.2
Japan	Jan 74	6.8	7.6	27.3	71.3
West Germany	Mar 74	2.3	4.1	13.0	30.6
France	Jan 74	3.2	8.0	17.6	31.3
United Kingdom	Dec 73	3.1	9.8	18.8	33.0
Italy	Nov 73	2.0	8.7	22.8	22.9
Canada	Feb 74	2.7	10.3	31.8	51.5

TRADE BALANCE\*  
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	Latest Month		Cumulative (Million US \$)		
		Million US \$	1974	1973	Change
United States	May 74	-777	2	-909	911
Japan	May 74	-226	-1,567	2,416	-3,983
West Germany	Apr 74	2,310	8,320	4,075	4,244
France	May 74	-835	-1,694	519	-2,213
United Kingdom	May 74	-1,160	-4,981	-1,529	-3,452
Italy	Apr 74	-866	-2,753	-638	-2,115
Canada	May 74	165	614	856	-242

IMPORT PRICES  
National Currency

	Latest Month	Percent Change from Previous Month		Average Annual Growth Rate Since	
		1970	1 Year Earlier	3 Months Earlier	
		Month			
United States	May 74	1.3	18.9	48.7	79.4
Japan	Jan 74	13.1	10.8	43.1	170.0
West Germany	Mar 74	1.6	6.2	25.7	56.1
France	Jan 74	14.9	11.3	33.0	127.4
United Kingdom	Dec 73	4.5	16.3	42.6	50.6
Italy	Nov 73	3.5	14.8	42.3	30.8
Canada	Feb 74	3.6	7.9	21.3	42.4

## BASIC BALANCE\*\*

Current and Long-Term Capital Transactions

	Latest Period		Cumulative (Million US \$)		
		Million US \$	1973	1972	Change
United States *	74 I	2,065	2,065	-1,006	3,071
Japan	May 74	-1,322	-7,211	-3,594	-3,616
West Germany	Apr 74	860	3,253	917	2,336
France	73 IV	-352	-2,391	-369	-2,022
United Kingdom	73 IV	-1,394	-3,164	-1,954	-1,210
Italy	73 II	-336	639	971	-332
Canada	73 IV	27	376	1,155	-779

## EXCHANGE RATES Spot Rate

As of 28 Jun 74

	US \$ Per Unit	Percent Change from			
		Dec 66	18 Dec 1971	19 Mar 1973	21 Jun 1974
Japan (Yen)	0.0035	27.51	8.35	-7.49	-0.51
West Germany (Deutsche Mark)	0.3925	56.13	26.49	10.84	-0.36
France (Franc)	0.2079	2.97	5.59	-5.67	2.06
United Kingdom (Pound Sterling)	2.3910	-14.32	-8.24	-2.84	0.46
Italy (Lira)	0.0016	-3.37	-10.06	-12.60	0.98
Canada (Dollar)	1.0280	11.51	3.09	3.10	-0.26

## OFFICIAL RESERVES

	Latest Month		Billion US \$		
	End of	Billion US \$	Jun 1970	1 Year Earlier	3 Months Earlier
United States	May 74	14.9	14.5	12.9	14.6
Japan	May 74	13.2	4.1	15.9	11.9
West Germany	Apr 74	33.8	8.8	32.0	32.2
France	May 74	8.1	4.4	11.6	8.1
United Kingdom	May 74	6.9	2.8	6.7	6.0
Italy	Mar 74	6.7	4.7	6.3	6.4
Canada	May 74	6.2	4.3	6.1	6.2

## TRADE-WEIGHTED EXCHANGE RATES\*\*

As of 28 Jun 74

		Percent Change from			
		Dec 66	18 Dec 1971	19 Mar 1973	21 Jun 1974
United States		-16.67	-7.30	-0.67	0.04
Japan		-16.33	2.59	-9.31	-0.57
West Germany		32.00	14.96	9.92	-0.94
France		-19.90	-6.44	-8.88	1.89
United Kingdom		-33.97	-19.79	-5.42	0.28
Italy		-25.36	-24.02	-17.10	0.61
Canada		8.29	1.70	3.34	-0.31

\*Seasonally adjusted.

\*\*Converted into US dollars at current market rates of exchange.

\*\*\*Weighting is based on each listed country's trade with 16 other industrialized countries to reflect the competitive impact of exchange-rate variations among the major currencies.

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